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ABSTRACT

The United States General Accounting Office reviewed prime sponsor use of Comprehensive Employment and Training Act (CETA) funds for activities related to membership organizations. Data was gathered by mailed questionnaires to 474 prime sponsors (89 percent response rate), site visits to national membership organizations, attendance at conferences sponsored by membership organizations, and telephone interviews with CETA-related membership organizations, and Department of Labor officials. The following conclusions were reached from these data. (1) It was determined that CETA's provisions are sufficiently broad to allow prime sponsors to use CETA funds to enter into membership and to pay expenses for activities related to membership organizations. (2) CETA prime sponsors spent $1.8 million in fiscal year 1979 for activities related to membership organizations. (3) Services provided by membership organizations to prime sponsors include information dissemination, technical assistance, and advocacy. (4) Benefits accruing to CETA prime sponsors from membership organizations include exchange of information, innovative programs, information about budget allocations and regulations, analyses of CETA legislation and policies, provision of a forum for discussion, and staff training. (5) There is no direct evidence that CETA funds were used for lobbying efforts by the membership organizations, although it is possible that they may be indirectly related. Prime sponsors believe expenditures related to membership organizations are justified because the services they provide are worth the cost and are frequently more useful than those provided by the Department of Labor. (KC)

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BY THE U.S. GENERAL ACCOUNTING OFFICE

Report To The Honorable William L. Clay House Of Representatives

Information On Prime Sponsor CETA Expenditures Related To Membership Organizations

GAO reviewed prime sponsor use of Comprehensive Employment and Training Act funds for activities related to membership organizations. This report contains information on

- --the Department of Labor's authority to permit prime sponsors to purchase memberships or services from membership organizations,
- --prime sponsor expenditures of $1.8 million in fiscal year 1979 CETA funds for activities related to membership organizations,
- --the variety of services membership organizations provide to prime sponsors,
- --the benefits accruing to CETA participants from the various services, and
- --applicable lobbying prohibitions and actions membership organizations have taken to comply with such prohibitions.

Prime sponsors believe expenditures related to membership organizations are justified because the services they provide are worth the cost and are frequently more useful than those provided by Labor.

GAO 30S-77

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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

HUMAN RESOURCES
DIVISION

B-200492

The Honorable William L. Clay
House of Representatives

Dear Mr. Clay:

In your April 23, 1980, letter, you asked us to review prime sponsors' use of Comprehensive Employment and Training Act (CETA) funds for activities related to membership organizations. Specifically, you requested that we address questions concerning: (1) the Department of Labor's authority to allow prime sponsors to use CETA funds for activities related to membership organizations, (2) the amount of CETA funds used for such activities, (3) the services that membership organizations provide to CETA prime sponsors, (4) the nature of CETA participant benefits resulting from such activities, and (5) the use of CETA funds to indirectly support lobbying. We also agreed to determine whether prime sponsors of similar size made comparable expenditures related to services and activities of membership organizations. For the purpose of our review, we defined membership organizations as organizations (excluding universities and research institutes) to which prime sponsors, other units of government, or individuals may pay membership dues or service fees.

In developing our response to your questions, we mailed 474 standardized questionnaires to gather data on prime sponsor expenditures, visited three national membership organizations and attended conferences sponsored by each, conducted telephone interviews with officials of CETA-related membership organizations, and interviewed Department of Labor officials. We requested that prime sponsors provide expenditure data for Federal fiscal year 1979, the most recent fiscal year for which data were available when we mailed our questionnaire.

We received 421 completed questionnaires, which represent an 89-percent response rate. To assure ourselves that questionnaire responses were reasonably complete and accurate, we telephoned over 80 percent of the responding prime sponsors to obtain missing information and to resolve service fee discrepancies and other inconsistencies.

As previously discussed with you, we believe it would be difficult--even with a continuous monitoring effort--to conclusively determine whether CETA funds supported a membership organization's lobbying efforts. Therefore, in addressing this question, we reviewed applicable lobbying provisions and determined what actions Labor and membership organizations have taken to comply with them.

The information in response to your questions is summarized below. A more detailed discussion on each of the following sections is contained in appendix I.

AUTHORITY

CETA does not explicitly authorize Labor to permit prime sponsors to purchase memberships or services from membership organizations. It does, however, allow Labor to establish procedures and make grants, contracts, and agreements and expend funds deemed necessary to carry out CETA's provisions. We believe this authority is sufficiently broad to enable Labor to authorize prime sponsors to use CETA funds to enter into membership or service fee arrangements and pay travel and related expenses for staff to attend conferences sponsored by membership organizations. (See pp. 4 and 5 of app. I.)

EXPENDITURES

CETA prime sponsors reported spending $1.8 million in fiscal year 1979 for activities related to membership organizations. These expenditures included $1,032,800 in membership dues and service fees, $731,200 in expenses related to prime sponsor staff attendance at conferences and meetings, and $7,300 in other payments to membership organizations. A major portion, about 86 percent ($1,520,000) of these expenditures, was associated with three national membership organizations: the U.S. Conference of Mayors, the National Association of Counties, and the National Governors' Association. These three public interest groups provide CETA-related services to prime sponsors paying a service fee and sponsor national conferences and other meetings that prime sponsor staff attend. Prime sponsors also make expenditures related to the services and activities provided by various other national, regional, State, and local membership organizations.

Average expenditures related to membership organizations varied by Labor region, type, and size of prime sponsor. Overall, prime sponsor expenditures for activities related to membership organizations constituted a very small portion of CETA administrative expenditures.

Prime sponsor subrecipients and contractors also spend CETA funds for activities related to membership organizations. Although we did not contact the subrecipients and contractors, some prime sponsors provided information regarding subrecipient and contractor expenditures. For fiscal year 1979, they identified $190,200 in subrecipient and contractor CETA expenditures related to membership organization activities. These subrecipient and contractor expenditures were in addition to those of prime sponsors. (See pp. 6 to 11 of app. I.)

SERVICES

National, regional, and State membership organizations provide a variety of useful and similar, yet different, services to CETA prime sponsors. Each organization provides its constituency services which can be broadly categorized as information and technical assistance services. Some of these organizations also sponsor conferences and act as advocates for the prime sponsors. Although the organizations provide essentially the same types of services, prime sponsors reported that services most frequently received from public interest groups differed from those most frequently received from other membership organizations. Prime sponsors believe expenditures related to membership organizations are justified because the services received are worth the cost and are beneficial even when similar services are obtained from more than one source. Prime sponsors frequently indicated that membership organization services were more useful than those provided by Labor. Labor depends on membership organizations to provide assistance and information services to prime sponsors because the organizations are more timely. (See pp. 11 to 22 of app. I.)

PARTICIPANT BENEFITS

Prime sponsors generally indicated that CETA participants are beneficiaries of the improved quality of program administration and services that result when prime sponsors spend funds for activities related to membership organizations. In this regard, prime sponsors identified some services and benefits provided by membership organizations that benefited CETA participants. These included

--facilitating prime-sponsor-to-prime-sponsor assistance and exchange of information;

--providing information on innovative programs;

--providing timely information on such items as budget allocations and regulations;

--making analyses of CETA legislation, policies, and regulations;

--providing a forum for discussion of prime sponsor problems; and

--training prime sponsor staff in program planning and administration. (See p. 23 of app. I.)

LOBBYING

In addressing this issue, we reviewed applicable lobbying prohibitions and obtained general information regarding the organizational structure, funding sources, and accounting practices of membership organizations. Based on this information, we found no evidence that membership organizations are using CETA funds to support their lobbying activities. This is not to imply, however, that CETA funds could not be used to support an organization's lobbying efforts. Because of time and cost considerations and possible access-to-records problems, we did not perform detailed audit work at each organization to attempt to determine whether CETA funds supported lobbying activities. Also, as previously discussed with you, we believe that, even with detailed audit work and a continuous monitoring effort, it would be difficult to conclusively determine that CETA funds supported lobbying.

While explicitly directing prime sponsors not to use CETA funds to obtain memberships in organizations that lobby, Labor has allowed them to purchase employment and training services from such organizations. Labor's lobbying restrictions are based on some statutory lobbying prohibitions applicable to the use of CETA funds. These prohibitions have caused some membership organizations to take actions to segregate costs incurred in providing services to CETA prime sponsors from lobbying costs funded from non-CETA sources. These actions help reduce the possibility of using CETA funds to support their lobbying activities. If one assumes that nonprofit membership organizations ordinarily provide services at cost to the prime sponsors, then no CETA funds should be available to support lobbying activities. In this regard, membership organizations would have to support their lobbying activities with non-Federal funds generated from membership fees and other services.

Some membership organizations acknowledge, however, that association with prime sponsors indirectly aids their organizations' lobbying efforts. For example, information developed by membership organizations in connection with providing services to prime sponsors frequently is useful in lobbying campaigns that may indirectly benefit prime sponsors. Also, 50 percent of the prime sponsors that made payments related to the U.S. Conference

of Mayors, 49 percent that made payments related to the National Association of Counties, and 59 percent that made payments related to the National Governors' Association said their decision to do so was based at least to some extent on the organization's involvement in activities which influence legislation. Furthermore, many prime sponsors that made payments related to public interest organizations indicated that these organizations influenced CETA legislation or benefited the prime sponsors with lobbying activities related to CETA. We are not implying that CETA prime sponsors paid the organizations to lobby on their behalf. However, we provide the data as an indication of prime sponsor decisions and benefits regarding lobbying and influencing legislation. (See pp. 24 to 30 of app. I.)

Labor reviewed a copy of the draft report and expressed no disagreement with the information presented. As discussed with your office, we are sending copies of this report to the Director, Office of Management and Budget; the Secretary of Labor; and other interested parties. Copies will also be available to other parties upon request.

Sincerely yours,

Edward A Densmore

for Gregory J. Ahart
Director

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ABBREVIATIONS

CETA	Comprehensive Employment and Training Act
NACo	National Association of Counties
NGA	National Governors' Association
USCM	U.S. Conference of Mayors

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INFORMATION ON PRIME SPONSOR CETA EXPENDITURES RELATED TO MEMBERSHIP ORGANIZATIONS

INTRODUCTION

The Comprehensive Employment and Training Act (CETA) is a multibillion-dollar Federal assistance program designed to provide job training and employment opportunities for the economically disadvantaged, unemployed, and underemployed. The Department of Labor uses a system of grants to State and local governments, or combinations of governments, called prime sponsors, to implement most CETA activities. During Federal fiscal year 1979, 460 prime sponsors used CETA funds to provide job training and employment opportunities to millions of participants throughout the United States.

Prime sponsors vary in the way they operate their programs. Some use their own staff to provide employment and training services. Others act as conduits for CETA dollars, subgranting and contracting out most of the funds to various organizations for services under the act's provisions. The other prime sponsors provide some services themselves while subgranting or contracting out for others.

Prime sponsors may also vary in services offered. CETA allows State and local governments some discretion in determining the kind and mix of services to offer. Participant services may include such activities as

--transitional public service employment to enable participants to enter unsubsidized employment;

--classroom training to upgrade basic academic skills and/or job skills and trades;

--subsidized on-the-job training;

--work experience to develop work habits and basic skills;

--employment in the private sector through the provision of initiatives to employers; and

--special programs for such groups as Indians, youths, migrants, and ex-offenders.

Prime sponsors are responsible for designing and executing an efficient and effective program, and Labor is responsible for ensuring that program goals are met by reviewing and evaluating performance.

CETA expenditures, most of which were made by prime sponsors, totaled $9.4 billion in fiscal year 1979. Federal regulations permit prime sponsors to use some funds to pay administrative costs. Prime sponsor administrative costs totaled $1.3 billion during fiscal year 1979.

Administrative costs consist of all direct and indirect costs associated with the management of the program, including those incurred by contractors and subrecipients. They are costs which do not directly and immediately benefit participants but are necessary for the effective delivery of direct participant benefits. Examples of administrative costs include dues and memberships; salaries and fringe benefits of executive, supervisory, clerical, and similar staff; all related materials, supplies, equipment, and office space costs; and staff training.

OBJECTIVES, SCOPE, AND METHODOLOGY

In an April 23, 1980, letter, Congressman William L. Clay, a member of the House Committee on Education and Labor, requested that we investigate prime sponsors' use of CETA funds for activities related to membership organizations. In the Congressman's letter and in subsequent discussions with him, we were asked to address five specific questions in our review:

--Under what authority does Labor allow prime sponsors to use CETA funds for activities related to membership organizations?

--How much CETA money do prime sponsors use for activities related to membership organizations?

--What services do membership organizations provide to CETA prime sponsors?

--How do CETA participants benefit from prime sponsor activities related to membership organizations?

--Do payments to membership organizations that lobby constitute indirect support of lobbying?

We also agreed, in discussion with the Congressman's office, to determine whether prime sponsors of similar size made comparable expenditures related to membership organizations. For the purpose of our review, we defined membership organizations (excluding universities and research institutes) as organizations to which prime sponsors, other units of government, or individuals may pay membership dues or service fees. Accordingly, we did not include in our results organizations which do not charge membership dues or service fees.

We determined that Labor does not maintain the type of expenditure data needed to respond to the Congressman's questions. Therefore, to develop our response to the questions, we mailed standardized questionnaires to each CETA prime sponsor. In addition, we visited national membership organizations, conducted telephone interviews with CETA-related membership organizations, and interviewed Labor officials.

We mailed out 474 questionnaires to gather data on prime sponsor expenditures related to membership organizations and on the benefits and services prime sponsors receive. This included questionnaires to 460 prime sponsors in operation during fiscal year 1979, as well as to Special Governors Grants offices in States where Labor told us that these offices were organizationally separate from balance-of-State prime sponsors. We also asked prime sponsors to supply any information available from their own records on membership-related expenditures made by their subrecipients and contractors.

Our questionnaires requested information for Federal fiscal year 1979 only. We chose this time frame after learning that some prime sponsors would not have complete information for fiscal year 1980. We mailed the questionnaires in early October 1980. We sent a second mailing to 254 prime sponsors that had not responded by early November, and sent a mailgram to 95 prime sponsors in January 1981. We received 421 completed questionnaires between October 20, 1980, and April 1, 1981. This represents an 89-percent response rate.

We did not verify questionnaire information provided by prime sponsors. However, to ensure that questionnaire responses were reasonably complete and accurate, we followed up by telephone with 338, or 80 percent of all respondents, to obtain missing information and to resolve service fee discrepancies and other inconsistencies. We followed up on service fee discrepancies with 142, or 34 percent of the respondents. We identified service fee discrepancies by comparing 1979 data provided to us by three national membership organizations--the U.S. Conference of Mayors (USCM), the National Association of Counties (NACo), and the National Governors' Association (NGA)--to data provided by prime sponsors. Based on information provided by prime sponsors during our followup telephone calls, we reduced the amount they originally provided for service fees paid to USCM, NACo, and NGA by $32,572, or 3.3 percent.

In reporting questionnaire results, we have not attempted to make inferences about the 53 nonrespondents. We made this decision because of the high response rate (89 percent of all prime sponsors) and because such inferences would likely be unreliable. We developed and analyzed descriptive statistics from the responses to

our questionnaire. In addition, we accumulated and analyzed expenditure data by Labor region and by type and size of prime sponsor.

We visited three national membership organizations--USCM, NACo, and NGA--all of which provide CETA-related services to prime sponsors and are conveniently located in Washington, D.C. During these visits, we interviewed organization officials and gathered the necessary documentation to learn about their organizations' objectives, structure, and role within the CETA system. In addition, we attended employment and training related conferences sponsored by each of these three public interest groups.

We conducted telephone interviews with 23 employment and training organizations identified by prime sponsors responding to our questionnaire. We inquired about each organization's purpose and the costs of prime sponsor involvement. Through these contacts, and information subsequently furnished by the organizations, we determined that 10 of them did not meet our definition of a membership organization because they did not collect membership dues or service fees. Where appropriate, we deleted questionnaire responses related to these 10 organizations.

We interviewed Labor officials to gain their perspective on the role of membership organizations, especially the public interest groups, in the CETA system.

As discussed with Congressman Clay, even with a continuous monitoring effort, it would be difficult to conclusively determine that CETA funds did or did not support an organization's lobbying efforts. Accordingly, in addressing the lobbying issue, we reviewed applicable lobbying prohibitions and determined what actions Labor and membership organizations have taken to comply with such prohibitions.

AUTHORITY

1. Under what authority does Labor allow prime sponsors to use CETA funds for activities related to membership organizations?

CETA does not explicitly authorize Labor to permit prime sponsors to purchase memberships or services from membership organizations. Section 126(b) of CETA does, however, allow Labor to establish procedures and make grants, contracts, and agreements and expend funds deemed necessary to carry out the provisions of CETA. We believe this authority is sufficiently broad to enable Labor to authorize prime sponsors to use CETA funds to enter into membership or service fee arrangements with membership organizations, as well as pay travel and related expenses when prime sponsor employees attend conferences sponsored by membership organizations.

CETA also establishes some restrictions on the use of funds. The restrictions include a prohibition on the use of funds for lobbying local, State, or Federal legislators. The applicable lobbying restrictions are discussed in our response to question number five. (See pp. 24 to 30.)

Federal Procurement Regulations establish principles and standards for determining allowable costs for programs administered by State and local governments under grants from and contracts with the Federal Government. According to the regulations, as applied to the use of CETA funds by Labor's CETA Financial Management Handbook, cost of membership in civic, business, technical, and professional organizations is allowable provided

--the benefit from membership is related to the CETA program,

--the expenditure is for agency membership,

--the membership cost is reasonably related to the value of services or benefits received, and

--the expenditure is not for membership in an organization that devotes a substantial part of its activities to influencing legislation.

Costs for meetings and conferences are allowable when the primary purpose of the meeting is the dissemination of technical information relating to CETA.

While prohibiting prime sponsors from obtaining a membership in certain types of organizations, Labor allows them to use CETA funds to pay a service fee to these organizations. In December 1974, Labor issued Field Memorandum No. 406-74 explaining that it was phasing out contracts it had with city, county, and State organizations for assistance to their respective governmental constituencies in such activities as training, onsite visits, and information dissemination. The memorandum authorized prime sponsors to use CETA funds to pay a fee to these types of organizations for performing specified services. The memorandum expressly prohibited the use of CETA funds to purchase memberships in such organizations. In May 1980, Labor updated the memorandum continuing the membership prohibition. In addition, the original and updated memorandums stated that CETA funds must be used in accordance with 18 U.S.C. 1913, a criminal statute which prohibits using Federal funds to influence a Member of Congress to favor or oppose any legislation or appropriation.

EXPENDITURES

2. How much CETA money do prime sponsors use for activities related to membership organizations?

Of the 421 prime sponsors responding to our questionnaire, 396 (or 94 percent) said they made expenditures totaling $1.8 million in fiscal year 1979 for activities related to membership organizations. These expenditures included $1,032,800 in membership dues and service fees by 88 percent of the respondents, $731,200 in expenses related to prime sponsor staff attendance at conferences and meetings by 82 percent of the respondents, and $7,300 in other payments (such as for newsletter subscriptions only) by 9 percent of the respondents. About 76 percent of the respondents said they paid a membership or service fee and made conference-related expenditures.

A major portion, about 86 percent of these expenditures, was associated with three national membership organizations: USCM, NACo, and NGA. These three public interest groups provide CETA-related services to prime sponsors paying a service fee and sponsor national conferences and other meetings that prime sponsor staff attend. Prime sponsors also make expenditures related to a variety of other national, regional, State, and local membership organizations. Question three discusses services membership organizations provide prime sponsors. (See pp. 11 to 22.)

Average expenditures related to membership organizations varied by Labor region, type, and size of prime sponsor. Overall, prime sponsor expenditures for activities related to membership organizations constituted a very small portion of their administrative expenditures.

Prime sponsor subrecipients and contractors also spend CETA funds for activities related to membership organizations. Although we did not contact the subrecipients and contractors, some prime sponsors were able to provide limited information regarding subrecipient and contractor expenditures. For fiscal year 1979, they identified $190,200 in subrecipient and contractor CETA expenditures related to membership organization activities. These subrecipient and contractor expenditures were in addition to those of prime sponsors.

Most prime sponsor expenditures related to three membership organizations

As shown in table 2.1 on page 9, prime sponsors reported spending $1.8 million in fiscal year 1979 for activities related to membership organizations. Expenditures related to USCM, NACo, and NGA accounted for about $1.5 million, or 86 percent of total expenditures. Prime sponsors reported spending about $945,500,

or 53 percent, in service fees to these three organizations. Ninety-four prime sponsors reported paying a service fee to USCM in fiscal year 1979, 245 reported paying such a fee to NACo, and 36 reported paying such a fee to NGA. NACo initially instituted the service fee arrangement in January 1975. USCM began its service fee operations in 1977 followed by NGA in 1978.

Before the service fee operation, Labor contracted with the public interest groups to provide services to prime sponsors. Through these contracts, the public interest groups provided assistance and information useful to prime sponsors in implementing CETA. The change from funding through Labor contracts to service fees paid by prime sponsors was a consequence of Labor's stated intention to phase out the service contracts with the public interest groups in January 1975.

Labor continues to contract directly with USCM, NACo, and NGA, as well as with the National League of Cities (formerly part of USCM), for research and for additional assistance to prime sponsors. For example, Labor has awarded almost $500,000 since 1978 to the National League of Cities (which does not operate a service fee program for prime sponsors) to improve the effectiveness of the CETA program within its small city membership by providing technical assistance and information to local governments. Labor also awarded NGA $194,477 in fiscal year 1979 to conduct policy analysis studies of State governments' role in employment and training programs. Labor awards to the four organizations have totaled more than $5.8 million since 1977.

Prime sponsors reported about $571,300 in fiscal year 1979 expenses related to conferences and other meetings sponsored by USCM, NACo and NGA. These expenses included the costs of travel, registration fees, and per diem. Other payments to the three public interest groups, such as for newsletter subscriptions only, amounted to about $3,300.

Many prime sponsors reported spending CETA funds related to more than one membership organization, but few reported expenditures related to more than one of the three public interest groups. While 52 percent (221) of the prime sponsors reported spending related to two or more membership organizations, only 21 percent (87) made expenditures related to two public interest groups. About 3 percent (13) reported expenditures related to all three public interest groups. Less than 8 percent of the prime sponsors reported paying service fees to two public interest groups, and no prime sponsor reported paying service fees to three public interest groups.

Prime sponsors reported spending related to a variety of other organizations

Of prime sponsors responding, 107 reported expenditures related to a variety of other national membership organizations. Among others, these organizations included the American Vocational Association, the Urban League, Manpower Policy Counselors, Inc., the American Society for Public Administration, the Association of Government Accountants, and the Municipal Finance Officers Association. Expenditures related to these and other national membership organizations amounted to about $106,000 in fiscal year 1979, including $29,000 for membership dues and service fees and $76,400 for staff attendance at conferences and meetings.

About 40 percent of the prime sponsors reported expenditures related to various regional, State, and local membership organizations, including the Southeastern Employment and Training Association, the New England Council of CETA Prime Sponsors, and State manpower associations in California, Illinois, Indiana, North Carolina, and Ohio. About 30 prime sponsors paid membership dues to local Chambers of Commerce. Prime sponsors reported total spending related to regional, State, and local membership organizations of $145,300 in fiscal year 1979, including over $58,300 for membership and service fees and $83,600 in conference-related expenditures.

In addition to these expenditures, some prime sponsors made conference-related and other expenditures related to "membership" type organizations which did not charge a membership or service fee and were therefore outside the scope of our review. These organizations included prime sponsor or CETA director associations in areas served by Labor's San Francisco and Seattle regional and in Georgia, Michigan, Minnesota, New Jersey, New York, North Carolina, and Ohio. We do not know the extent of expenditures related to these organizations. None charged membership dues or service fees in fiscal year 1979.

Table 2.1

Prime Sponsor Expenditures for Activities Related to Membership Organizations

Organization	Membership, service fees	Conference-related expenses	Other payments	Total expenditures
USCM	$ 303,941	$172,653	$ 192	$ 476,786
NACo	468,821	317,929	3,048	789,798
NGA	172,705	80,672	21	253,398
Subtotal	945,467	571,254	3,261	1,519,982
Other national organizations	28,995	76,355	660	106,010
Regional, State, and local organizations	58,340	83,550	3,417	145,307
Total for all organizations	$1,032,802	$731,159	$7,338	$1,771,299

Average spending varied by region, type, and size of prime sponsor

For all prime sponsors reporting, the average expenditure related to membership organizations was about $4,200 in fiscal year 1979. Average spending levels varied by Labor region, type, and size of prime sponsor.

Regional averages ranged from $2,702 for prime sponsors in Labor's Dallas region to $6,786 for prime sponsors reporting in the Boston region. Other Labor regions with expenditures above the national average were Seattle ($5,398), Chicago ($4,499), and San Francisco ($4,451).

State prime sponsors reported the highest average expenditure related to membership organizations of any type of prime sponsor. This average was $7,117 for the prime sponsors reporting. Consortia and city prime sponsors also reported above-average expenditures of $4,888 and $4,312, respectively. County prime sponsors reported spending an average of $2,563, which was considerably below the average expenditure for all prime sponsors.

One reason for the variation in average expenditures by type of prime sponsor may be the difference in service fees they reported paying public interest groups in fiscal year 1979. Prime sponsors reported service fee payments from CETA funds to NGA ranging from $1,010 to $7,790, to USCM ranging from $359 to $20,000, and to NACo ranging from $35 to $5,000.

Average prime sponsor expenditures related to membership organizations varied widely by size of prime sponsor. Average expenditures were highest for large prime sponsors and lowest for small prime sponsors. This was true regardless of whether size was measured by CETA allocation, total administration expenditures, or size of administrative budget (total administration expenditures less that portion spent by or allocated to subrecipients and contractors). Large prime sponsors reported expenditures about three times as great on the average as those reported by small prime sponsors.

There was, however, considerable variation in spending reported within each size category. For purposes of analysis, we categorized prime sponsors into three groups: (1) large prime sponsors with a total allocation of $25 million or more for fiscal year 1979, (2) medium prime sponsors with a total allocation between $7.5 and $25 million, and (3) small prime sponsors with a total allocation of less than $7.5 million. Reported expenditures for activities related to membership organizations ranged from $264 to $24,850 for large prime sponsors, from $5 to $14,341 for medium prime sponsors, and from $26 to $10,922 for small prime sponsors. Some prime sponsors in each category reported no expenditures. Similar variations in expenditures were also evident for each size category defined in terms of prime sponsor administrative budget.

Small portion of administrative spending was for activities related to membership organizations

Overall, expenditures by prime sponsors for activities related to membership organizations constituted a small portion of their administrative spending. Total expenditures related to membership organizations represent only 0.2 percent of the total administrative spending reported. Of those administration costs reported as spent by prime sponsors directly (not including administration costs incurred by subgrantees, contractors, and subrecipients), expenditures related to membership organizations represent 0.5 percent.

Prime sponsors identified few subrecipients and contractors making expenditures related to membership organizations

Prime sponsors reported that only a small portion of their subrecipients and contractors were likely to have made expenditures related to membership organizations in fiscal year 1979. Of the 96,435 subgrants, contracts, and other subagreements identified by prime sponsors, 32,971 (or 34 percent) would not have allowed for the use of CETA funds for activities related to membership organizations. Some of these subagreements were for program activities, such as public service employment or on-the-job training, and as such frequently did not include administrative funds for activities related to membership organizations. These agreements or contracts typically cover the cost of employment; i.e., wages, fringe benefits, etc. According to prime sponsors, expenditures related to membership organizations would have been allowable under 63,464, or 66 percent of all subgrants, contracts, and subagreements.

From their records, prime sponsors provided information on subrecipient use of CETA funds for activities related to membership organizations. They reported that there were no fiscal year 1979 expenditures related to membership organizations under the majority of subgrants, contracts, and subagreements which could have allowed such expenditures. For most other subgrants, contracts, and subagreements, prime sponsors either were not able to, or for some other reason did not, provide information. Prime sponsors did, however, identify a few subgrants, contracts, and subagreements under which expenditures related to membership organizations were made in fiscal year 1979: under 210, there were membership or service fees paid; under 414, there were conference-related expenditures; and under 3, there were other payments to membership organizations. Prime sponsors provided actual expenditure data or budget estimates for only a limited number of these. They identified 65 subgrants, contracts, or subagreements under which about $26,600 was spent on membership or service fees, and 263 under which about $163,600 was spent for activities related to attending conferences.

SERVICES

3. What services do membership organizations provide to CETA prime sponsors?

National, regional, and State membership organizations provide a variety of useful and similar, yet different, services to CETA prime sponsors. Each organization provides its constituency services which can be broadly categorized as information and technical assistance services. Some of these organizations also sponsor conferences and act as advocates for prime sponsors. Although the

organizations provide essentially the same types of services, prime sponsors reported that services most frequently received from public interest groups differed from those most frequently received from other membership organizations. Prime sponsors believe expenditures related to membership organizations are justified because the services received are worth the cost and are beneficial even when similar services are obtained from more than one source. Prime sponsors frequently indicated that membership organization services were more useful than those provided by Labor. Labor depends on the membership organizations to provide assistance and information services to prime sponsors because the organizations are more timely.

Information services

USCM, NACo, and NGA, as well as employment and training related regional and State membership organizations, serve as information brokers. Through various publications and periodicals, they provide prime sponsors information on numerous topics, including CETA legislation, budget allocations, regulations, and Labor field memorandums. They also monitor, analyze, and report on CETA-related developments and provide some information on employment opportunities with various prime sponsors.

Some organizations also perform an advocacy 1/ role for prime sponsors. For example, the New England Council of CETA Prime Sponsors describes itself as a vehicle for prime sponsors to present a unified position on employment and training policy issues. According to a Council brochure, the organization is a vital link between its members and the Federal Government. As part of its advocacy role, the Council organizes periodic meetings between its board members and Labor's administrators in the New England region. Also, NACo believes that advocacy is the heart of its service fee program. By keeping in close contact with prime sponsors, it develops a feel for prime sponsor concerns. Working closely with Labor, NACo has the opportunity to insist that prime sponsor concerns are heard when policy decisions and implementing instructions are developed.

To advise CETA directors of legislative action, Labor policies and procedures, budget developments, and the status of employment and training activities, the USCM publishes the "CETA Director" and the "CETA Monitor." The "CETA Director" is a newsletter that is distributed every 2 weeks, while the "CETA Monitor" is an information service published in six different formats. Collectively,

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1/Advocacy involves the broad concept of representing the cause of prime sponsors. On the other hand, prohibited lobbying, as discussed in the response to question 5 (see p. 24), is an attempt to influence legislation with the use of Federal funds.

these amount to about 400 publications a year. The six "CETA Monitor" formats are described below.

1. Action Advisory--Alerts CETA directors to take action at important decisionmaking points. Advisories provide information to prime sponsors weeks, and sometimes months, ahead of Labor's regular distribution channels, thereby providing advance notice of impending actions. They are accompanied by a background statement and an analysis of the impact on prime sponsor programs.

2. Report--Summarizes events, actions, and decisions related to CETA, such as congressional action on appropriations, revisions in CETA regulations, public service employment, youth programs, and other topics of interest to prime sponsors.

3. Commentary--Presents staff analyses of the impact of policies, regulation changes, and other actions affecting cities and CETA.

4. Reference--Presents items with background information of reference value to prime sponsors.

5. Clips--Provide reprints of important articles from newspapers and other publications.

6. Information Exchange--Encourages the transfer of information among prime sponsors. Through the Exchange, prime sponsors can request information on any aspect of employment and training activities. The USCM also uses the Exchange to distribute information on effective prime sponsor activities and to advertise job openings on prime sponsor staffs.

NGA updates State employment and training officials on CETA-related developments through the issuance of three publications. "RegsLine," generally published twice monthly, provides regulatory analysis and serves as a mechanism for the timely dissemination of pertinent regulatory and policy issuances, including Labor field memorandums, regulations, and announcements. "LegisLine," published on an as-needed basis, provides current information and analysis of legislative issues. NGA also publishes a newsletter, "Labor Notes," generally twice a month, that provides information on various topics of interest to State prime sponsors, including information on conferences, congressional hearings, and reports concerning employment and training programs.

NACo publishes a "CETA Information Update" about 50 times a year to provide prime sponsors with information from a wide variety

of sources. The information includes a cover memorandum which summarizes activities affecting CETA, such as legislative or administrative policy developments, along with copies of Labor documents, excerpts from the Congressional Record, and various newspaper and magazine articles pertaining to CETA. NACo also publishes a magazine, the "County Employment Reporter," once every 2 months and a newspaper, the "County News," each week. NACo provides a copy of the three publications to each prime sponsor that pays a service fee. The "County Employment Reporter," directed toward professionals in the employment field, contains articles from academicians and experts. The "County News" covers major CETA developments and includes articles on other issues of interest to counties.

Like the public interest groups, employment and training related regional and State organizations provide information services to prime sponsors. For example, regional organizations, such as the New England Council of CETA Prime Sponsors, and State associations, such as the Ohio Manpower Association and the Illinois CETA Directors Association, provide prime sponsors information on a variety of topics, including equal employment opportunity, labor relations, education, legislation, and regulations. The organizations also facilitate the exchange of information between prime sponsors. The New England Council publishes a quarterly newsletter, the "Training and Employment Overview," for prime sponsors in the New England area. This publication is designed to keep prime sponsors updated on the latest developments affecting them. The Ohio Manpower Association also publishes a newsletter for its membership.

Technical assistance

The public interest groups, as well as regional and State employment and training related membership organizations, provide technical assistance services to prime sponsors. Generally, this assistance is provided by telephone, mail, or onsite visits or through participation in, or sponsorship of, regional meetings. It is provided at the prime sponsor's request and is tailored to the recipients' needs. The assistance could include organization visits to prime sponsors to train CETA staff or to assist in program areas such as manpower delivery systems, consortium agreements, and understanding Federal instructions and forms. It could also include organization participation in special-purpose CETA meetings or conferences and in the resolution of disputes between prime sponsors and Labor regional offices.

NACo records indicate that it spent about $66,800 in staff travel costs related to technical assistance services between January 1979 and August 1980. NACo incurred these costs primarily to (1) provide legislative updates and CETA training for prime sponsor advisory councils, elected officials, or staff; (2)

participate as national policy advisors in local or group meetings with Federal agencies; and (3) hold regional and national meetings for county CETA staff.

USCM reported that its staff visited nearly one-third of the country's urban prime sponsors during 1979 to increase its awareness of local level CETA problems and technical assistance needs. The organization indicated that, during calendar years 1979 and 1980, its staff made over 60 technical assistance visits to

--bring individual prime sponsors up to date on major changes in regulations,

--brief prime sponsor staffs on recent legislation or regulatory changes,

--help prime sponsors resolve specific problems,

--make presentations to regional or statewide groups on changes or impending changes in regulations,

--gather data or material on unique prime sponsor operations that might be used by other prime sponsors, or

--gather data which might be consolidated to present to member mayors for possible policy formulation.

NGA provides technical assistance primarily through a series of employment and training program seminars designed to (1) deal with significant programmatic and operational problems and issues, (2) provide a forum for the exchange of information and expertise, and (3) help States develop practical approaches and solutions to problems. In addition, NGA staff also visit individual State prime sponsors, at their request, to provide assistance. NGA records indicate that it spent roughly $26,000 during fiscal years 1979 and 1980 for staff travel expenses to provide technical assistance services.

Employment and training related regional and State organizations are set up, in part, to provide technical assistance services to prime sponsors. For example, one goal of the Ohio Manpower Association is to enhance and enrich the professional growth and technical competence of its members. To improve personal productivity, the organization conducted a series of workshops on time management, decisionmaking, productivity, and motivation. It also conducted a workshop which resulted in the adoption of a code of ethics for its members. According to information provided by the New England Council of CETA Prime Sponsors, it provides management assistance by sending specialists to give prime sponsors onsite consultation on specific employment and training problems. Council staff also help prime sponsors by supplying technical information to aid them in problem definition, analysis, and solution.

Conferences

USCM, NACo, and NGA conduct national conferences that give prime sponsors a broad perspective on issues affecting the CETA program. Regional and State employment and training-related organizations also sponsor conferences for their particular constituencies. At times, representatives of the public interest groups participate in the regionally or State-sponsored conferences. During the conferences, prime sponsors attend workshops on various CETA-related subjects and are exposed to the views of Labor officials, congressional staff, and private sector representatives. Generally, these spokespersons discuss the program in the context of the latest legislative changes and its future direction. For example, the theme of NACo's 1980 National Employment Policy Conference was "New Directions in the 80s." The conference featured workshops on numerous topics, including recent congressional decisions and CETA reauthorization issues that are expected to surface when the act expires in 1982. At the 1981 employment and training conference sponsored by USCM, prime sponsors attended workshops on such topics as budget cutting, handling layoffs, and the future of youth programs. Likewise, NGA's 1981 National Policy Conference included workshops on such topics as fiscal projections for employment and training and future directions in the redesign of the employment and training system.

Like the public interest groups, employment and training related regional and State membership organizations also sponsor conferences and workshops for the prime sponsors they serve. For example, during 1980, the New England Council and the Ohio Manpower Association sponsored CETA-related conferences that included active staff participation by each of the above public interest groups. According to the Council, its conferences focus on key issues facing prime sponsors by providing opinion and discussion by experts from around the country. The Council schedules workshops and seminars for its members to help them move through the maze of new regulations, regional policy, and legislation. Seminars have covered such topics as welfare reform, youth programs, audit, and liability.

Services also provided by nonemployment and training related organizations

In responding to our questionnaire, prime sponsors indicated that they received services from a variety of national, regional, State, and local organizations not specifically involved with the employment and training programs. Examples of these organizations include the

--Municipal Finance Officers Association,

--Inter-City Management Association,

--American Management Association,

--American Association of Community and Junior Colleges,

--Council of Governments,

--New England Solar Energy Association,

--Missouri Vocational Association, and

--Minnesota Social Services Association.

These organizations provided such services as newsletters, meeting announcements, staff training, and information on or assistance with program operations and planning. Some prime sponsors said they held memberships in local Chambers of Commerce. The prime sponsors reported that the local chambers provided them with newsletters and meeting announcements, were a source of labor market information, and were a useful contact point within the local business community to publicize CETA activities. Some also reported that the Chambers of Commerce provided prime sponsor staff training.

Services most frequently received from public interest groups different from other membership organizations

Although most membership organizations provide the same types of services--information and technical assistance, conferences, and advocacy--prime sponsors reported differences between services most frequently provided by the public interest groups and those most frequently provided by other membership organizations. Other than newsletters and meeting announcements, the services prime sponsors most frequently reported receiving from the public interest groups in fiscal year 1979 were (in order of frequency reported)

--information on congressional actions,

--copies of legislation and/or congressional reports,

--information on the allocation of CETA funds,

--information on Labor policy, and

--input into Labor policy and regulations related to CETA.

For membership organizations other than the public interest groups, the most frequently identified sevices differed significantly. Other than newsletters and meeting announcements, they were (in order of frequency reported)

--informal association with other prime sponsors,

--information on other prime sponsor employment and training activities,

--staff training,

--information on or assistance with staff training, and

--information on or assistance with program operations and planning.

Prime sponsors feel justified in making expenditures related to membership organizations

Of the 373 prime sponsors who reported paying a membership or service fee to organizations in fiscal year 1979, about 87 percent felt the services received were worth the cost to a very great or substantial extent. In explaining this position, some prime sponsors indicated that they typically received information from membership organizations well before they received official Labor information and that this helped considerably in planning and administering CETA programs.

Fifty-two percent of the prime sponsors responding to our questionnaire said that they received services from more than one membership organization in fiscal year 1979. The table below shows the reasons the vast majority of these prime sponsors believed such an arrangement was beneficial and the extent to which they believed it.

Table 4.1

Prime Sponsor Responses to the Question: To What Extent Is Each of the Following a Reason Why It Is Beneficial to Receive the Same or a Similar Service or Benefit From More Than One Membership Organization?

Reasons	Very great or substantial extent		Moderate or some extent		Little or no extent	
	Number	Percent	Number	Percent	Number	Percent
(1) Different perspectives are provided by each organization	166	75	52	24	3	1
(2) There are differences in the types of information provided by each organization	135	61	80	36	6	3
(3) Services provided are geared to different levels of prime sponsor staff	83	38	99	45	38	17
(4) One or more organization(s) provide(s) more timely information than the other(s)	162	74	43	20	15	7

The following table shows the reasons most prime sponsors receiving the same or similar services from both Labor and at least one membership organization believed this practice was beneficial and the extent to which they believed it.

Table 4.2

Prime Sponsor Responses to the Question: To What Extent Is Each of the Following a Reason Why It Is Beneficial to Receive the Same or a Similar Service or Benefit From a Membership Organization When That Service or Benefit Is Also Provided by DOL?

Reasons	Very great or substantial extent		Moderate or some extent		Little or no extent	
	Number	Percent	Number	Percent	Number	Percent
(1) Membership organizations provide services and benefits in a more timely manner	330	84	53	14	8	2
(2) Membership organizations provide more analyses and interpretations of information	326	84	54	14	9	2
(3) Membership organizations are more attentive to the individual needs or prime sponsors	230	59	115	29	45	12
(4) Membership organizations provide services that are geared to different levels of prime sponsor staff	126	32	143	37	120	31

Prime sponsors frequently feel membership organizations provide more useful services than Labor

Prime sponsors frequently indicated that services received from membership organizations were more useful than the same or similar services provided by Labor. We asked prime sponsors receiving such services from both sources to indicate whether membership organization or Labor services were more useful. From the list of services included in our questionnaire, prime sponsors

comparing services from both sources told us that 12 of 18 services provided by membership organizations were at least somewhat more useful to them. Most prime sponsors making the comparison cited the following membership organization services as more useful than Labor's:

--Copies of new regulations.

--Copies of legislation and/or congressional reports.

--Newsletters and/or meeting announcements.

--Information on the allocation of CETA funds.

--Information on Labor policy and regulations.

--Input into Labor policy and regulations related to CETA.

--Input into congressional proceedings related to CETA.

--Information on congressional actions.

--Influence on legislation related to CETA.

--Lobbying activities related to CETA.

--Informal association with other prime sponsors.

--Information on other prime sponsor employment and training activities.

Most prime sponsors making the comparison told us that Labor provides more useful (1) staff training and (2) information on or assistance with

--consortium agreements,

--program operations and planning,

--Federal instructions and forms,

--staff training, and

--equal employment opportunity and affirmative action activities.

Labor depends on membership organizations

Labor depends on the membership organizations, particularly the public interest groups, to provide prime sponsors with assistance and information services. Labor aids the organizations by supplying them with information and by participating in organization-sponsored conferences and workshops. The Administrator of Labor's Office of Management Assistance told us that Labor depends on the organizations to get information to the prime sponsors in a timely manner. He said Labor's information is less timely because of the review and printing process at Labor headquarters. It takes an average of 3 to 5 weeks for a proposed directive to be processed through the headquarters clearance system. Review and revision at the Labor regional offices may also delay dissemination of directives and other information for prime sponsors.

To help alleviate the timeliness problem, Labor had planned to initiate a new word processing and telecommunications network by the summer of 1981. The new network was intended to speed the flow of information between Labor headquarters and its 10 regional offices and ultimately to local prime sponsors. However, on July 28, 1981, Labor issued Field Memorandum No. 223-81, which noted that an Office of Management and Budget freeze on the procurement of equipment delayed network implementation. The field memorandum rescheduled network implementation for January 1982, at which time Labor plans to begin a 3-month trial period to test and refine procedures concerning network transmission of Labor issuances.

The Labor Administrator also noted that an advantage in having prime sponsors pay service fees to the public interest groups is the increased responsiveness to prime sponsor needs. As constituents, prime sponsors can hold the public interest groups accountable. Also, as pointed out in an August 1979 Labor report, "Review of the Employment and Training Administration's Technical Assistance and Training System," an adversary relationship exists between prime sponsors and the Labor regions. Prime sponsors are reluctant to request technical assistance from the regions. They believe the staff is unable to provide it or are afraid the request will be looked upon as a deficiency. Prime sponsors tend to view regional staff as compliance enforcers, rather than helpers. According to the Labor Administrator, regional office staff are so involved in performing federally mandated functions that they often lack the time to offer prime sponsors the assistance needed. In summing up his feelings about Labor's dependence on the public interest organizations, the Administrator told us that Labor would have to create such organizations to serve prime sponsors if they did not already exist.

PARTICIPANT BENEFITS

4. How do CETA participants benefit from activities related to membership organizations?

In responding to our questionnaire, prime sponsors generally indicated that CETA participants benefit from the improved quality of program administration and services that result when prime sponsors spend funds for activities associated with membership organizations. In this regard, prime sponsors identified some services and benefits provided by membership organizations that benefited CETA participants. These included

--facilitating prime-sponsor-to-prime-sponsor assistance and exchange of information;

--providing information on innovative programs;

--providing timely information, such as on budget allocations and regulations;

--making analyses of CETA legislation, policies, and regulations;

--providing a forum for the discussion of common prime sponsor problems; and

--training prime sponsor staff in program planning and administration.

One prime sponsor official stated that involvement with membership organizations helped develop prime sponsor staff so that they are better able to prevent waste and mismanagement of funds used to train and employ participants. Another reported that a membership organization provided it with funding information that Labor had not sent to the prime sponsor. The information allowed the prime sponsor to offer additional participant positions. A third prime sponsor indicated that attendance at conferences and workshops sponsored by a membership organization contributed greatly to its efforts to serve CETA participants. Staff attendance at these conferences and workshops helped prime sponsor staff improve job training, placement, and payroll services.

Only three prime sponsors said that CETA participants derived no benefits from prime sponsor use of CETA funds for activities related to membership organizations. Sixty-nine prime sponsors did not respond to our question regarding CETA participant benefits.

LOBBYING

5. Do payments to membership organizations that lobby constitute indirect support of lobbying?

In addressing this question, we reviewed applicable lobbying prohibitions and obtained general information regarding the organizational structure, funding sources, and accounting practices of membership organizations. Based on this information, we found no evidence that membership organizations are using CETA funds to support their lobbying activities. This is not to imply, however, that CETA funds could not be used to support an organization's lobbying efforts. Because of time and cost considerations as well as possible access-to-records problems, we did not perform detailed audit work at each organization to attempt to determine whether CETA funds supported lobbying activities. Also, as discussed with Congressman Clay, we believe that, even with detailed audit work and a continuous monitoring effort, it would be difficult to conclusively determine that CETA funds supported lobbying.

While explicitly directing prime sponsors not to use CETA funds to obtain memberships in organizations that lobby, Labor has allowed them to purchase employment and training services from such organizations. Labor's lobbying restrictions are the result of some statutory lobbying prohibitions applicable to the use of CETA funds. These prohibitions have caused some membership organizations to take actions to segregate costs incurred in providing services to CETA prime sponsors from lobbying costs, which are funded from non-CETA sources. These actions reduce the likelihood that CETA funds could be used in support of their lobbying activities. Assuming the nonprofit membership organizations ordinarily provide services at cost to the prime sponsors, theoretically no CETA funds should be available to support lobbying activities. In this regard, membership organizations would support their lobbying activities with non-Federal funds generated from membership fees and other services.

Some membership organizations acknowledge, however, that association with prime sponsors indirectly aids their organizations' lobbying efforts. Thus, information developed by membership organizations in connection with providing services to prime sponsors frequently is useful in lobbying campaigns that may indirectly benefit prime sponsors. Also, 50 percent of the prime sponsors that made payments related to USCM, 49 percent that made payments related to NACo, and 59 percent that made payments related to NGA said their decision to do so was based at least to some extent on the organization's involvement in activities which influence legislation. Furthermore, many prime sponsors that made payments related to public interest organizations indicated that these organizations influenced CETA legislation or benefited them with lobbying activities related to CETA. This is not to imply that CETA funds paid for lobbying.

Applicable lobbying prohibitions

Several statutes and regulations prohibit the expenditure of Federal funds in general and CETA funds in particular for various kinds of lobbying activities. The language used in each provision, together with applicable legislative history, determines the kinds of activities specifically prohibited. The terms "lobbying" and "influencing legislation" generally have similar meanings when used in statutes and regulations. Normally these terms refer to direct communications with legislators or communications with the public exhorting them to contact their legislators and urge support or defeat of pending legislation.

Generally, antilobbying statutory provisions prohibit Federal agencies from using Federal funds to directly or indirectly support lobbying activities. An example of direct support of lobbying activities might involve a prime sponsor expending CETA funds to prepare an unsolicited letter to Members of Congress expressing support for certain legislation pending before the Congress. In this hypothetical situation, the prime sponsor is itself expending CETA funds in preparing and distributing the letters that seek to influence legislation. On the other hand, an example of indirect support might involve a prime sponsor contributing either CETA funds or supplies or services paid for with CETA funds to another organization that was engaged in influencing legislation concerning the CETA program. Hence, in the case of indirect support, the prime sponsor does not itself expend funds for the prohibited activities but makes CETA funds available to others engaged in the prohibited activities.

One of the antilobbying statutes, 18 U.S.C. 1913, entitled "Lobbying with appropriated moneys," provides that:

> "No part of the money appropriated by any enactment of Congress shall, in the absence of express authorization by Congress, be used directly or indirectly to pay for any personal service, advertisement, telegram, telephone, letter, printed or written matter, or other device intended or designed to influence in any manner a Member of Congress, to favor or oppose, by vote or otherwise, any legislation or appropriation by Congress, whether before or after the introduction of any bill or resolution proposing such legislation or appropriation; but this shall not prevent officers or employees of the United States or of its departments or agencies from communicating to Members of Congress on the request of any Member or to Congress, through the proper official channels, requests for legislation or appropriations which they deem necessary for the efficient conduct of the public business.

> "Whoever, being an officer or employee of the United States or of any department or agency thereof, violates or attempts to violate this section, shall be fined not more than $500 or imprisoned not more than one year, or both; and after notice and hearing by the superior officer vested with the power of removing him, shall be removed from office or employment."

Since the above statute contains fine and imprisonment provisions, its enforcement is the responsibility of the Department of Justice and the courts. Accordingly, we do not consider it appropriate to comment on its applicability to particular situations or to speculate as to the conduct or activities that would or would not constitute a violation. To our knowledge there has never been a prosecution under this statute.

Since the early 1950s, various appropriations acts have contained general provisions prohibiting the use of appropriated funds for "publicity or propaganda." For example, the act appropriating funds for Labor contains such a restriction. Section 407 of the Departments of Labor and Health, Education, and Welfare Appropriations Act, 1980 (H.R. 4389, 96 Cong., 1st Sess.), as incorporated by continuing resolutions, prohibits the use of CETA funds for preparing and distributing publicity and propaganda material in all its various forms designed to influence members of the public to support or defeat legislation pending before the Congress. More important, it prohibits the use of such funds for salary or expenses of a grant recipient or an agent acting for a recipient to engage in any activity designed to influence legislation or appropriations pending before the Congress.

Another antilobbying restriction is contained in section 607(a) of the Treasury, Postal Service, and General Government Appropriations Act, 1980 (Pub. L. No. 96-74, Sept. 29, 1979, 93 Stat. 559), which provides:

> "No part of any appropriation contained in this or any other Act, or of the funds available for expenditure by any corporation or agency, shall be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress." (Emphasis added.)

Since section 607(a) applies to the use of any appropriation "contained in this or any other Act," it is applicable to the use of CETA funds.

We have construed "publicity and propaganda" provisions such as those in section 607(a) as primarily prohibiting grassroots lobbying; that is, expenditures involving appeals addressed to the

public suggesting that they contact their elected representatives and indicate a position on legislation pending before the Congress. Departments and agencies are responsible for insuring that their appropriations are not used by grantees and other recipients and their agents for lobbying activities prohibited by section 607(a).

Another statutory prohibition against the use of Federal funds for lobbying is contained in 29 U.S.C. 825(g), which requires the Secretary to promulgate regulations applicable to recipients of CETA funds that would restrict the use of these funds for lobbying local, State, or Federal legislators. Lobbying, as used in this statute, includes direct contact with legislators or efforts to motivate members of the public to contact their legislators and urge support or defeat of pending or proposed legislation. Further, 29 U.S.C. 825(i) makes recipients responsible for taking action against their subgrantees to prevent any abuse or misuse of CETA funds.

Pursuant to the requirements of 29 U.S.C. 825(g), Labor has promulgated regulations prohibiting CETA expenditures for lobbying activities. The regulations are broad in scope. They prohibit the use of CETA funds in any manner by recipients and subrecipients to attempt directly or indirectly to influence Federal, State, and local legislators by any means to favor or oppose any legislation or appropriations. An obvious exception to this restriction is when testimony or consultation is requested by a legislative member or when an employee of a recipient makes contact with a State or local legislator to give him information necessary to provide compliance with the act. The regulations implement applicable anti-lobbying legislative restrictions. Like the legislative provisions discussed above, the regulations prohibit employees and agents of recipients from using Federal funds for lobbying activities.

As indicated in the response to question number one, Labor allows prime sponsors to purchase employment and training services from organizations that lobby. Labor Field Memorandum No. 406-74, issued in 1974, explained that Labor was phasing out its contracts with county, city, and State membership organizations to provide assistance to their governmental constituencies in such activities as training, onsite visits, and information dissemination. The memorandum authorized prime sponsors to use CETA funds to pay such organizations for providing specified services. However, the memorandum prohibited the purchase of memberships in such organizations. Also, in the original memorandum and its updated version, Field Memorandum No. 250-80, Labor prohibited the use of CETA funds for lobbying.

The effect of all these statutory and regulatory restrictions is that Labor, CETA fund recipients, and subrecipients may not expend these Federal funds for anything that would be designed to influence a Federal, State, or local legislator to favor or oppose

legislation pending before his or her respective legislative body. There are a few exceptions to this blanket prohibition. For example, Labor officials may make their views known directly to the Congress concerning any proposed legislation. Comments of this type are not considered as lobbying. Also officials of prime sponsors and their subgrantees may, if requested by legislators, make their views known on State and local legislation. In all cases, however, grassroots lobbying, which appeals to the public to contact its legislators and urge support for or defeat of legislation, is prohibited.

Precautions taken by membership organizations to prevent CETA expenditures for lobbying

As a consequence of the antilobbying statutory provisions described above, some membership organizations have taken precautionary measures to insure that CETA funds are not expended for lobbying activities. These precautionary measures range from separate organizational structures for lobbying activities and for CETA-related activities to accounting procedures designed to insure that only non-Federal funds are used for lobbying activities.

Some membership organizations, for example, create separate organizational units in order to compartmentalize the lobbying and public interest activities from the organizational unit that provides services to CETA prime sponsors. Each of these separate organizational units keeps individual accounting records; however, they may share officers and employees with the other unit. Each organization pays the officers and employees for the time spent on its activities. In this compartmentalized organization, it would be difficult for CETA funds paid to the services unit to be used to support lobbying activities conducted by the other unit. It should be emphasized that this does not mean that CETA funds could not be used to support an organization's lobbying efforts. It does indicate, however, a step some organizations have taken to reduce the likelihood of this occurring.

Other membership organizations, instead of establishing separate organizational units, institute accounting procedures and controls designed to help ensure that all lobbying activities are funded with non-Federal funds. Under this procedure all operations that support lobbying, including overhead, would be charged against an account that contains only non-Federal funds. Membership organizations using this approach could demonstrate through their accounting records that CETA funds were not used for lobbying activities. Again, this is no indication that CETA funds could not be used for lobbying, but an indication that a step is taken to reduce the likelihood of this occurring.

Prime sponsor membership in organizations not generally associated with the CETA program

As stated earlier, Labor has specifically directed prime sponsors not to expend CETA funds for membership in public interest organizations, although they may procure certain employment and training services from these membership organizations. In addition, Labor has authority pursuant to 41 CFR 1-15.711-19 to allow prime sponsors to use CETA funds to purchase memberships in civic, business, technical, and professional organizations as long as these organizations do not devote a substantial part of their activities to influencing legislation. The word "substantial" is not defined in the regulation. However, "substantial lobbying activities" has been defined under 26 U.S.C. 501(c)(3), an unrelated Internal Revenue Code provision dealing with tax exempt organizations. Under this provision, expenditures greater than 20 percent of the organization's revenues for lobbying would be considered substantial.

The obvious intent of this regulation is to enable grantees, such as prime sponsors, to join organizations that provide valuable services needed for the local CETA program despite the fact that these organizations devote a small share of their efforts to influencing legislation. For example, prime sponsors may join a technical or professional association in order to obtain accreditation through or by that organization for participants engaged in a particular training program, even though the association attempts to influence legislation on behalf of its members. Likewise, a prime sponsor may join the local Chamber of Commerce to facilitate placement of CETA trainees in jobs with commercial firms. Membership dues in such organizations are normally inexpensive compared to service fees charged by public interest organizations. Although these organizations lobby on issues which affect the interests of their membership as a whole, they do not specifically represent the interests of their prime sponsor members in such activities. This fact, plus the minimal nature of the prime sponsors' contributions, does not violate the antilobbying restrictions discussed previously. Accordingly, Labor has authority to allow prime sponsors to join civic, business, and professional organizations which provide services needed by the local CETA program, if these organizations devote only a small fraction of their efforts to influencing legislation.

Association with prime sponsors aids organization lobby efforts

Some public interest organizations acknowledge that association with prime sponsors through a service fee arrangement helps their lobbying efforts. For example, the Associate Director for NACo's service fee program, who is also NACo's legislative coordinator, told us that service fee participation by counties improves the degree of county input on CETA issues and aids his lobbying efforts. He acknowledged that, without input obtained

through the service fee program, he would have to more actively solicit county input on matters related to CETA.

In addition, prime sponsor ideas and positions on CETA may become part of an organization's official lobbying platform. For example, on occasion, prime sponsors paying a service fee to USCM make policy recommendations related to CETA through USCM's Employment and Training Council. Before USCM lobbyists would promote a recommended policy position, it would have to be adopted by USCM member mayors, thereby making it a USCM rather than a prime sponsor position. As in the case of USCM, NACo requires that member governments complete a formal approval process in adopting a lobbying position. Information obtained through NGA's service fee program also aids that organization's advocacy efforts in the Congress.

Prime sponsors' decision to associate with public interest groups affected by activities which influence legislation

Many prime sponsors indicated that their decision to associate with USCM, NACo, and NGA was based to some extent on those organizations' activities which influence legislation. We asked prime sponsors to indicate the extent to which their decision to associate with a particular membership organization was based on that organization's involvement in activities which influence legislation. Fifty percent that made payments related to USCM, 49 percent that made payments related to NACo, and 59 percent that made payments related to NGA said their decision to do so was based at least to some extent on the organization's involvement in activities which influence legislation. The remaining prime sponsors said that their decision was affected to little or no extent or that the organization does not engage in activities which influence legislation. We do not wish to imply that some CETA prime sponsors paid the organizations to engage in activities which influence legislation. But we present the data as an indication of the bases for prime sponsor decisions to associate with these organizations.

Most prime sponsors feel they benefit from organization lobbying

Of the prime sponsors who said they received services or benefits from the three public interest organizations, 34 percent said they received the benefit of lobbying activities from USCM, 52 percent said they received it from NACo, and 55 percent said they received the lobbying benefit from NGA. Also, 50 percent, 67 percent, and 82 percent of the prime sponsors listed influencing legislation related to CETA as a service or benefit which they received from USCM, NACo, and NGA, respectively. Again, this is not to imply that prime sponsors paid CETA funds for lobbying or influencing legislation. It merely indicates prime sponsor perceptions of services or benefits received.

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